KPMG

Financial Statements of

FIRST NATIONS TRUST FUND

Year ended March 31, 2000

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AUDITORS' REPORT TO THE TRUST BENEFICIARIES

We have audited the balance sheet of First Nations Trust Fund as at March 31, 2000 and the statements of revenue and expenditures and unrestricted surplus, security recourse reserve, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan
May 26, 2000

KPMG is a Canadian partnership, member of KPMG International, a Swiss cooperative.

FIRST NATIONS TRUST FUND

Balance Sheet

March 31, 2000

	2000	1999
Assets		
Current assets:		
Cash	$ 201,076	$ 37,869
Gaming revenue receivable	4,300,000	1,012,500
	$ 4,501,076	$ 1,050,369
Liabilities and Trust Balances		
Current liabilities:		
Payable to First Nations	$ 4,222,739	$ 834,283
Payable to FSIN:		
Veterans	17,250	-
First Nations Addictions Rehabilitation Foundation	236,087	191,086
Trust administration	25,000	25,000
Trust balances:		
Unrestricted surplus	-	-
	$ 4,501,076	$ 1,050,369

See accompanying notes to financial statements.

On behalf of the Trustees:

Trustee

Trustee

FIRST NATIONS TRUST FUND

Statement of Revenue and Expenditures and Unrestricted Surplus

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Revenue:		
Gaming revenue	$ 11,794,870	$ 13,603,077
Interest	22,282	73,282
	11,817,152	13,676,359
Expenditures:		
Distributions to First Nations	10,703,052	13,490,126
FSIN:		
First Nations Addictions Rehabilitation Foundation	944,350	764,350
Trust administration	100,000	100,000
Veterans	69,750	35,500
Senate	-	144,000
	11,817,152	14,533,976
Deficiency of revenue over expenditures	-	(857,617)
Unrestricted surplus, beginning of year	-	-
Net transfers from security recourse reserve	-	857,617
Unrestricted surplus, end of year	$ -	$ -

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Security Recourse Reserve

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Reserve, beginning of year	$	$ 857,617
Transfer to unrestricted surplus	-	(857,617)
Reserve, end of year	$ -	$ -

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Cash Flows

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Cash flows from (used in):		
Operations:		
Deficiency of revenue over expenditures	$ -	$ (857,617)
Change in non-cash operating working capital:		
Gaming revenue receivable	(3,287,500)	(1,012,500)
Payable to First Nations	3,388,456	824,141
Payable to FSIN:		
Veterans	17,250	-
First Nations Addictions Rehabilitation Foundation	45,001	191,086
Trust administration	-	25,000
Increase (decrease) in cash	163,207	(829,890)
Cash, beginning of year	37,869	867,759
Cash, end of year	$ 201,076	$ 37,869

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2000

General Information

The First Nations Trust Fund (the "Fund") was established to administer and disburse funds earned through gaming activities. Pursuant to the 1994 Casino Gaming Agreement between Federation of Saskatchewan Indians, Inc. ("FSIN") and the Province of Saskatchewan (the "Province") and Section 17 of the Saskatchewan Gaming Corporation Act, the Fund is to receive 25% of the net profits of the Regina Casino which are to be distributed through the Province's General Revenue Fund. Pursuant to the 1995 Agreement between FSIN and the Province, the FSIN Gaming Act and the Trust Indenture between FSIN and the Trustees of the Fund, the Fund is to receive through the Province's General Revenue Fund, a percentage of the net profits generated by casinos operated by Saskatchewan Indian Gaming Authority, Inc. ("SIGA") as follows:

For casinos located on reserves, 50% of net profits and an additional 25% of net profits for charitable purposes related to First Nations, and

For casinos not located on reserves 50% of net profits.

At any time when the cumulative total of 50% of net profits generated by casinos operated by SIGA exceeds the 25% of the net profits of the Regina Casino distributed to the Fund, the Fund shall only be entitled to 25% of the excess (the "Flip" clause).

Effective April 1, 1998, the 1995 Agreement between FSIN and the Province was amended to provide that at any time the cumulative total of 50% of net profits generated by casinos operated by SIGA exceeds the 25% of the net profits of the Regina Casino distributed to the Fund, the Fund shall be entitled to 37.5% of the excess.

The Fund is administered by trustees appointed by the Economic and Community Development Commission of the FSIN (formerly the Saskatchewan Indian Gaming Commission) pursuant to the First Nations Gaming Act and the Saskatchewan Gaming Corporations Act.

The 1995 Gaming Agreement provides for the establishment of First Nations Addictions Rehabilitation Foundation ("FNARF") for the purpose of providing gaming addictions rehabilitation and prevention services for First Nations people. The operations of FNARF are to be funded from gaming revenues distributed by the Province to the Fund.

The Trustees may make payments from the Fund for the following purposes related to First Nations and Tribal Councils in Saskatchewan:

- economic development
- social development
- justice initiatives
- educational development
- recreational facilities operation and development

General Information (continued):

- senior and youth programs
- cultural development
- community infrastructure development and maintenance
- health initiatives, and
- any other community development and/or project.

The Trustees shall make payments from the Fund on a fair and equitable basis in accordance with guidelines approved by the Chiefs-in-Assembly. The Trustees may also disburse funds identified for charitable purposes to First Nations charities.

1. Significant accounting policies:

(a) Use of estimates:

Preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from these estimates.

(b) Gaming revenues:

Gaming revenues are recorded when receivable from the Province's General Revenue Fund. Distributions of gaming revenue are made to the Fund in quarterly installments based on estimates of net profits at the SIGA casinos and the Regina Casino. Upon completion of the fiscal years of the SIGA casinos and Regina Casino, a final distribution is made to the Fund by the Province's General Revenue Fund. The amount of this final distribution is recorded as gaming revenue upon determination and allocation by the Province.

(c) Distributions to First Nations:

Distributions to First Nations are made based on guidelines approved by the Chiefs-in-Assembly. Amounts in excess of the required security recourse reserve and administrative expenditures are allocated or distributed to First Nations.

2. Restricted cash and security recourse reserve:

Prior to 1999, the Fund was required to hold in reserve, as security for repayment of a loan obtained by SIGA for the development and operation of casinos in the Province, 10% of gaming revenue received by the Fund from the Province's General Revenue Fund. In case of a default by SIGA on any of the terms or conditions of its loan agreement with its lender, those funds could have been required to repay any remaining balances of the loan. During 1999, the loan was repaid in full by SIGA and the balance of the security recourse reserve was transferred to unrestricted surplus and distributed according to the Fund's distribution formula.

3. Related party transactions:

Related parties to the Fund include Saskatchewan Tribal Councils and First Nations and FSIN. Expenditures to related parties are disclosed in the statements of revenue and expenditures and unrestricted surplus.

4. Financial assets and liabilities:

The carrying amounts of the Fund's financial assets and liabilities including gaming revenue receivable, payable to First Nations and payable to FSIN, approximate fair value due to the short-term maturity of these items.